Sectt. II-27—25,000—27-10-32.

Development (1934) Department.

MS SERIES.

G.O. No. 1301

DATED 13.9.34.

[Despatch Abstract.]

Industries

State aid to Industries Act
application by Mr. F. L.
Papers record

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

FURTHER PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.
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INDUSTRIES **DEPARTMENT**.

Received ..... 19 . *Registered* 19

Subject.

State Aid - application by Mr. F.L. Silva for a loan of Rs .25,000/- - submitting.

ENCLOSURES.
No. 5
Spare copies

No. 274-A/33.

Station Madras, *Dated the* 11th April, 1933.

From (Name) V. Ramakrishna, Esq., M.A., I.C.S.,
(Designation) Director of Industries.

To The Secretary to the Government of Madras,
Development Department.

Sir,

I submit for the orders of Government copies of the papers mentioned below in connection with a further application for a loan of Rs .25,000/- received from Mr. F.L.Silva, Proprietor, Bangalore Silk Filature, Mudikundam Branch, Coimbatore district:

i. Application and covering letter dated 30th January 1933 received from Mr. Silva.

ii. Inspection report of the Assistant Director of Industries (Textiles) dated 24th November 1932.

iii. Note dated 13th March 1933 circulated to the members of the Board of Industries.

iv. Extract of minutes of proceedings at the meeting of the Board of Industries held on the 27th March 1933.

v. Letter dated 11th February 1933 and enclosures from Mr. Silva supplying information in regard to the financial results of his Bangalore factory.

2. Mr. Silva applied, it will be recalled, for a loan of Rs .30,000/- in 1931 but although the application was recommended unanimously by the Board, Government in G.O. No.Mis.1568 Development dated 28th October 1931 expressed their inability to grant the loan applied for. Mr. Silva has now submitted a fresh application for financial assistance to the extent of Rs .25,000/- either in the form of a cash loan or in the shape of a bank overdraft guaranteed by Government. The proceeds of the overdraft will be utilised solely for purposes of working capital. Mr. Silva started a filature at Bangalore in 1924 with 24 basins adding a further 14 basins and a silk throwing plant subsequently. The Mudikundam branch was started in 1929 with 40 basins. In his first application Mr. Silva proposed to transfer the 38 basins from Bangalore to Mudikundam, but he has now abandoned this intention as apparently his Bangalore factory is working satisfactorily and he does not wish to disturb it. In the factory at Mudikundam, silk reeling will be carried on, that is the process for the removal or unwinding of the thread from the cocoons, the reeled silk being sent to the factory at Bangalore to be doubled and twisted or otherwise disposed of. The indigenous methods of reeling and preparing silk, as Government are aware, leave much to be desired and it is only in the steam filature that a superior quality of silk of uniformity and fineness can be produced. There is a large import of filature reeled silk into India as this quality of silk is required by the handloom weavers in the manufacture of the finer varieties of cloth. If such silk is to be produced locally a number of steem filatures of the type owned by Mr. Silva must be established. If this filature is given the necessary encouragement and proves a success, as there seems every prospect of it doing, it may pave the way for the setting up of further filatures.

If Mr. Silva's filature is worked regularly, it should have a stimulating effect on the production of coooons whilst the cocoon producers in the surrounding areas will benefit by having a ready market for their cocoons the price of which should be more stable.

3. The present position and prospects of the filature has been discussed in the note circulated to the Board and I need not reiterate what has been stated there. Since the Board originally recommended the grant of a loan, the price of silk has fallen considerably but as there has been a consequential fall in the price of cocoons, which are now available at comparatively cheap rates, the position is much as it was as regards the working of the filature, whilst if, as is hoped and anticipated, the Indian Tariff Board, which is now inquiring into the position, recommends the imposition of a protective tariff on foreign silk the outlook for the silk industry in this country will be more promising than it has been for a long time. As will be seen from para 4 of the note circulated to the Board Mr. Silva puts the net cost of manufacture per lb. at Rs .1-8-3 to which has to be added Rs .6-0-0 for the cost of cocoons making a total cost of Rs .7-8-3. On this basis, and taking the selling price of the product at Rs .8-4-0, Mr. Silva considers that a net profit will be realised equivalent to 13.4 per cent per annum after allowing for interest and depreciation charges.

4. The question of security is discussed in paragraph 6 of the note for the Board of Industries from which it will be seen that the assets are worth about Rs .43,500/- without allowing for depreciation since the assets were valued by departmental officers in 1931. The security seems adequate for the loan or the guarantee of an overdraft up to Rs .20,000.

P.T.O.

5. The application was placed before the Board of Industries at the meeting held on the 27th March 1933 and an extract of the proceedings is enclosed, from which it will be seen that the Board recommended, Mr. Hood abstaining from voting, the guarantee with a Bank for a period of ten years of an overdraft up to Rs .20,000/- under section 6 clause (b) of the Act, the overdraft to be reduced progressively at the rate of Rs .2,000/- per annum. In the course of the discussion it was suggested that in communicating the Board's resolution to Government for orders, particulars of the working of Mr. Silva's Bangalore factory should be sent. It will be seen from Mr. Silva's letter dated 11th February 1933 enclosing a statement showing the actual financial results of his Bangalore factory for the 4½ months ended January last that the whole of the output of the factory has been sold at prices varying from Rs .8/4 to 9/4 per lb., according to denier or say an average of Rs .8-7-9, and that the profit per lb. has worked out at Rs .0-13-7. The result of the working of Mr. Silva's Bangalore factory for the period covered by his report appears to be satisfactory and I see no reason why equally good results should not be obtained from the Mudikundam factory if it is worked regularly as will be possible if the financial assistance applied for is granted.

6. The overdraft may be guaranteed at the Imperial Bank of India, Bangalore. I have not obtained any encumbrance certificates from Mr. Silva for the period subsequent to the date up to which encumbrance certificates were produced in connection with the original application, but shall do so if necessary on receipt of the orders of Government.

7. I strongly recommend the application for the sympathetic consideration of Government as the security offered

offered appears to be adequate and the concern to be a promising one with considerable potentialities of development.

for Director of Industries.

I

Copy of letter dated 30th January 1933 from Mr.F.L. Silva, The Bangalore Silk Filature and Throwing Mill, Mudikundam Branch, Mudikundam P.O., Coimbatore.

I beg to submit herewith an application for a loan of Rs .25,000/- under the State Aid to Industries Act and earnestly trust that you will be pleased to recommend it for the favourable consideration of Government.

In a formal application which I submitted on the 27th of October 1930 I gave full details relating to the Filature erected by me here and the conditions governing the working of the factory. Your predecessor as well as the Sericulture Expert, the Assistant Director of Industries (Textiles) and the Industrial Engineer thereafter inspected the factory several times, visited the neighbouring country, valuated the property and generally satisfied themselves about the prespects of carrying on the Filature successfully. The Board of Industries also considered the application and were pleased to make a strong and unanimous recommendation in favour of the grant of the loan. But for want of funds Government were not able to sanction it.

In June last year I renewed my application and ventured to put forward an alternative suggestion (originally made by your office) to the effect that in the event of a grant not being available for the issue of the loan, the help sought by me could be given in the shape of an overdraft from the Imperial Bank of India, guaranteed by Government.

Since then you have very kindly found an opportunity of inspecting my factory and made a close study of the Sericultural industry of Kollegal. I trust your investigations have satisfied you that my Filature has a definite prospect

of success before it, and that there is urgent necessity of developing more filatures if the industry is to prosper in future.

I have explained every detail relating to the factory so fully in my previous application that it is unnecessary to repeat them here. Briefly, I have already spent about Rs .45,000/- on land, buildings and machinery, and your department has satisfied itself that the actual present value exceeds this amount. If the factory is worked to its full capacity, the recurring expenditure (at the present low price of raw material) is Rs .11,500/- per month and the minimum working capital required is normally Rs .35,000, and, occasionally, a much larger sum, as the production of cocoons is a seasonal occupation and is not uniform throughout the year. The absence of a Bank or other financing agency at Kollegal makes it necessary to provide ample working capital.

As you are aware, I own a similar factory in Bangalore with a Throwing Mill attached to it, and the provision of finance for both factories taxes my resources to the utmost. When I established my factory in Kollegal I had every assurance, from the hopes held out by your predecessors, as well as from my own knowledge of the liberality of Government, that I could confidently look to them to help me with sufficient working capital. Indeed, for more than five years, your department had urged me to open a filature in the Madras Presidency and promised me every support.

When I first erected the factory at Kollegal three and a half years ago, the silk trade was in a prosperous condition. The demand for my production was so large that the output of my Bangalore factory was insufficient to meet it. I was able to produce at Kollegal, even with the half trained labour available at the time, about 800 lbs. of

of silk per month (against a maximum capacity of 1,500 lbs.) for which there was a ready market. Unfortunately, after some months the competition of foreign silk became so keen as to reduce the demand seriously. For this reason, as also because of the consequential fall in the production of cocoons, the manufacture at Kollegal has had to be kept at a minimum during the last year or two.

Now however the situation has changed for the better. The Mysore Government Filature - my only competitor in the past - is no longer selling its output to the public. I have succeeded in persuading some of the Cotton Mills in Bombay and Ahmedabad to make use of natural silk in place of artificial silk. Again the demand from the weaving establishments working with filature silk has strengthened considerably, mainly because there is an appreciable demand for swadeshi silk, which is not met by the weavers of country silk, who now find it to their advantage to confine themselves to cheaper foreign silk. Above all, there is a near prospect of the grant of protection to indigenous silk, and I am convinced that it is worthwhile making every effort to increase the output of filature silk. If I am in a position to work both my factories to their full capacity, it follows that I should be able to reduce my price appreciably and thus give an added stimulus to larger consumption.

My last application was for a loan of Rs .30,000.

6

Application for loan under the State Aid to Industries Act.

1. Name of applicant and address	F.L.Silva, Proprietor, Bangalore Silk Filature, Mudikundam Branch, Mudikundam P.O.(Coimbatore).
2. Nature of the Industrial concern for which aid is sought	Silk Filature, i.e. a factory for the reeling of silk yarn by means of uptodate power machinery.
3. The administrative, technical and executive staff existing or to be appointed, with qualifications	(a) One of my sons looks after the general management of the factory and I myself reside there frequently. (b) The technical supervision is exercised by a qualified staff. (c) The executive staff consists of fully trained men holding certificates of competency from the Government Sericultural School, Mysore. (d) The machinery is looked after by trained mechanics.
4. The facilities available for the development of the industry.	The Factory is situated in the heart of an area in which sericulture is largely prevalent, and raw material is available in emple quantity within a radius of 10 or 12 miles. There is no difficulty with regard to transport and produce can be conveniently sent to the Bangalore market.
5. The nature of the processes to be employed.	Conditioning of cocoons, reeling of silk yarn and the cleaning of silk waste
6. Details of plant and machinery installed or proposed to be installed at the works.	40 reeling 'basins' of 6 heads each together with subsidiary plant; 15 H.P. steam boiler; 7 H.P. steam engine; pumping plant; apparatus for conditioning of cocoons; baling press etc.
7. The total estimated cost of the undertaking and the probable time that will be occupied in its execution.	The total estimated cost is Rs 50,000/-, of which Rs 45,000 has already been incurred. The factory is now in full working order.
8. Approximated number of operatives employed or to be employed.	About 220 when working to full capacity.
9. Estimated net expenditure per annum in running the works	Rs 140,000
10. Estimated net profits accruing	Rs 12,000 to 15,000 per annum.
11. Reasons why the business cannot be financed without State assistance.	I am already running a similar factory in Bangalore, with a Throwing Mill attached, on which

I have invested about Rs 80,000, and my resources are insuffcient to finance both factories, more especially because neither the supply of cocoons nor the demand for yarn is uniform throughout the year; there are seasons when large stocks have to be laid by, which severely strains one's resources, the difficulty being aggravated in the absence of a Bank to finance purchases. For a recurring expenditure of Rs 11,500/- per mensem, the minimum working capital as required is Rs 35,000/- to 45,000/

12. Nature and extent of aid applied for — The grant of a loan under clause (a) of Section 6 of the Act.

The amount applied for is Rs 25,000/ (Rupees twentyfive thousand). The capital expenditure already incurred is Rs 45,000/- but the land and buildings attached to the factory are worth at least Rs 10,000/- more than the book value. Moreover the stock of raw and finished material in hand would seldom amount to less than Rs 20,000/-

13. Security offerd

District	Village	Survey No.	Area(acres)	assessment.
Erode	Mudikundam	91A	0.79	Rs 1 5
-do-	-do-	92	4.52	6 3
-do-	-do-	93	0.25	0 6
-do-	Uttemballi	73B	6.16	8 8
-do-	-do-	73A	1.98	2 12
			13.70	19 2

Registered in the name of F.L.Silva.

14. Nature and extent of the applicant's right in the concern and his financial resources — I have no financial resources other than those invested in the business - please see answer to No.11 above.

15. Nature and extent of the applicant's right to the property offered as security — The property is freehold and I am sole owner.

16. Nature and extent of encumbrances on the immovable property offered as security — No encumbrance of any kind on the property or on the assets referred to at (12) above

17. Whether any arrears are due on the immovable property offered as security — No arrears.

18. Period within which and the number of instalments in which the ~~application~~ applicant proposes to repay the loan. — 10 years at the rate of Rs 2,500, per annum.

Copy of letter dated the 24th November 1932 from the Assistant Director of Industries, (Textiles), to the Director of Industries, Madras.

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Subject:--Bangalore Silk Filature Mudikundem Branch - State Aid.

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I have the honour to state that I paid a visit to Mudikondam, Kollegal, on 15th November 1932 and discussed with Mr. Silva the Proprietor of the above Filature, the question of the grant of loan to his concern under the State Aid to Industries Act.

2. It will be observed from past correspondence that Mr. Silva submitted his application for loan under the State Aid to Industries Act in October 1930. The application was favourably considered by the Board of Industries, but in their order No.1568, Miscellaneous, Development, dated 28th October 1931, Government stated that they were unable to grant the loan applied for as there was no funds at the disposal of the Department to grant the loan. It will be observed that in the report of the Industrial Engineer dated 28th August 1931, he has valued the security at Rs 55,564-14-0 I have examined the land, buildings, plant and machinery of the concern. In the Industrial Engineer's valuation, the land has been taken at a low estimate of Rs 50/- per acre. i.e. Rs 685/- for 13.7 acres. This seems too low and I consider that a fair value should be Rs 150/- per acre on an average. This would increase the value of the assets by about Rs 1,400/-

3. Rearing of silk worms and the production of cocoons constitute essentially a cottage industry all over the world owing to the fact that the operations afford a suitable subsidiary occupation to agriculturists and it is therefore possible to produce cocoons at minimum cost. Attempts made in China and Japan to centralise the industry have ended in failure owing to the difficulty of checking any outbreak of disease once it sets in. But the reeling of silk cocoons working individually or by master reelers employing hire labour can be carried out by cottage workers, working a number of reels in a central place or steam filatures established

in compact cocoon producing areas. It is in the steam filature that superior quality of silk combined with uniformity and fineness can be obtained. But if reeling should also be carried out as a cottage industry and if the hand reeled silk should find a market alongside of filature reeled silk, it is necessary that the workers should employ improved reeling basins which will enable them to secure a comparatively better quality of hand reeled silk than they are able to produce at present. This variety of silk will in course of time replace the hand reeled or re-reeled silk imported from China. But there is a large import of Filature reeled silk into India and this special quality of silk is required by the hand loom weavers in the manufacture of the finer varieties of cloths. If such silk is to be produced locally it is necessary to establish large number of steam filatures.

4. The establishment of a filature in a central area in this Presidency is likely to have also a marked effect on the production of cocoons. It is to the advantage of a filature to have its own grainage (as Mr. Silva has provided himself with already) or otherwise to provide for the distribution of disease free seeds to rearers. A filature employing a/100 or more people cannot shut down at any moment and would therefore provide continuous work to the rearers and stimulate their production of cocoons. Further, during the season when the supply of cocoons is plentiful and the country reeler buys only in limited quantities it is the filature which has to keep large stocks that will come to the relief of the rearers and thus help to stabilise the prices of cocoons. The filature has forward contracts to fulfil and cannot vary its price from day to day, whereas it is the uncertainty of the Kollegal country silk markets which is one of its worst features at present.

5. This Department has always felt that the establishment of up-todate filature reeling factories would stabilise the price of cocoons and thereby indirectly help the cottage rearers It is largely due to the constant encouragement by the Department given to Mr. Silva that he was induced to open a filature at Mudikundem, Kollegal. At the time he started the filature, conditions were very favourable. The demand for reeled silk

was good and the prices remunerative, so that Mr. Silva was able to hold his own against the competition of foreign silk, as will be seen from the actual working results submitted by him-vide profit and loss statement of his concern for the 12 months from July 1929 to July 1930 which shows a profit of 15 annas 2 pies per pound of reeled silk. Since then, with the trade depression and fall in the price of China silk, the position has weakened. But the fact that Mr. Silva has been able to carry on at all speaks much for the essential soundness of a filature and the imperative need for it in the economy of the silk industry.

1930-1
1931-2.
1932-3

6. It has to be stated that throughout India, Mr.Silva is the only private person owning a filature. The filatures in Kashmir belong to that Government. In Mysore also the filature is the property of the Government. Further, the latter filature is only equipped with 18 basins, the entire output of which is consumed by the State weaving factory and does not therefore exercise any influence on the market. On the other hand, Mr. Silva has no less than 40 basins in his Mudikundam factory and his output is nearly 1/12 of the present total output of reeled silk in Kollegal. I may also state that within a short period Mr. Silva's filature has exercised its influence on the quality of Kollegal silk. Under the competing influence of the filature industry, the the quality of the silks reeled by them by employing improved country reelers would be obliged to improve reeling basins and this will facilitate the wide introduction of such basins contemplated by the Director.

B

7. Until Mr. Silva started operations, Mysore silk was unknown except in S.India and the south of the Bombay Presidency- It was Mr. Silva that introduced it for the first time in N.India and especially in the large silk markets of Surat and Benares. In Bangalore itself, the introduction of filature silk has ~~been~~ effected somewhat a revolution in the manufacture of sarees, which factor has provided Mr. Silva with a safe market

even at the present time of depression when the price of China silk of equal quality is about 20 per cent lower than the silk reeled by him. At present the entire output of filature silk is sold in Bangalore. If with the assistance of a State loan/factory increases its output and if filature silk is made available to the Kollegal weavers at a low rate, the latter would be able to produce superior.

8. The country reeler is a frequent visitor to the filature and learns something from its method of handling cocoons, its care of ~~the cocoons~~ cocoons uniform reeling, twisting, cleanliness of thread, care of waste etc.

9. The cost of production is not prohibitive in a filature. I understand from Mr. Silva that on a production of 1,000 lbs. a month taking fine and coarse counts together the manufacturing costs come to about Rs 1-8-0 per lb. Including interest on capital and depreciation charges, the cost would be about Rs 2/- The price of cocoons required per lb. of silk (@ Rs 9/- per maund of cocoons) is about Rs 5-8-0. Thus, the cost price of one pound of silk is Rs 7-8-0. If, however, the output is doubled, there would be a reduction in the working charges, so that the sale price then might not exceed Rs 7/- per lb., after providing for a reasonable profit. If the price of cocoons is established and the annual requirements of cocoons for the factory are obtained at favourable rates, the cost of production per lb. of raw silk will be further reduced.

10. I therefore submit that Mr. Silva's concern is well deserving of assistance from Government. The filature industry is a new industry in this province and Mr. Silva's concern at Mudikundam is the first of its kind established in this province and that in the heart of a ~~cocoon~~ Cocoon producing area. Government have previously granted financial assitance to the silk weaving concern at Peddapuram - Messrs Muppana Somaraju and Veerraju and to the Salem Dye Works Syndicate. The need for assisting Mr. Silva's concern is even greater, particularly since, while the weaving and dyeing industries can be said to have been previosuly established in the Peddapuram

and Salem areas, the power filature industry at Mudikundam is altogether a pioneer enterprise. It will be remembered that the Textile Advisory Committee supported the proposal of giving bounties to silk filatures in this province so as to cover the cost of production and to market the local silk in competition with China silk. If Government are however not prepared to go to the extent of granting bounties, they should at least aid newly started filatures by grant of loans under the State Aid to Industries Act.

11. I may add, in this connection, that if the full amount of loan applied for cannot be granted, Government may be requested to sanction for the present a loan or the guarantee of a bank overdraft to the extent of Rs 25,000/- as this will provide Mr. Silva with some working capital which he may roll over some months and thus stabilise the work of his concern.

16

Note for the Board of Industries.

Application from Mr.F.L.Silva, Proprietor Bangalore Silk Filature, Mudikundam Branch, Mudikundam P.O. Coimbatore district, for a loan of Rs.25,000 under section 6(c) of the State Aid to Industries Act for purposes of providing working capital to run his silk filature.

Mr.Silva applied, as the Board may recall, for a loan of Rs.30,000 in 1931, but although the application was recommended unanimously - the Board considering the security to be adequate and the venture to be a most promising one - Government were unable to see their way to grant the loan owing possibly to the financial stringency which then prevailed. Mr.Silva has now submitted another application - copy attached - for a loan of Rs.25,000. Although in the application the form of aid sought for is a loan, in the covering letter, Mr.Silva has stated that he is willing to accept the aid either in the form of a cash loan or in the shape of a Bank overdraft guaranteed by Government. If a loan is granted, he is prepared to repay it in 10 annual instalments.

2. The considerations that led the Board originally to recommend the grant of the loan have not, in the interval changed very materially, for although the price of silk has fallen, there has been a consequential fall in the price of cocoons, which are now available at a comparatively cheap rate whilst if, as is hoped and anticipated, the Indian Tariff Board, which

is now inquiring into the position, recommends the imposition of a protective tariff on foreign silk, the industry should receive a distinct impetus. The concern has been inspected by three of the specialist officers of the department viz. the Assistant Director of Industries (Textiles), Industrial Engineer, and Sericultural Expert at different times and having taken into account the several aspects of the case, they have come to the conclusion that the concern is a sound one with considerable potentialities of development. I have also visited the filature and agree that the concern is deserving of Government assistance.

B

3. Owing to the superiority of Kollegal silk in respect of lustre, tensile strength and wearing and washing qualities, there is a very large demand for this silk. There is an increasing demand for better reeled silk, both by handloom weavers and power weaving factories, and owing to the increased consumption by silk twisting factories of such silks the development of this filature - in the only compact cocoon-producing area in the Presidency may be expected to have a stimulating effect on the industry. In recent years, there has been a growing demand for finer indigenous silk and the handloom weavers have not been slow to take advantage of this demand. With the advent of cheap electric power from Pykara and Mettur and the contemplated introduction in cottages of power looms run by small motors, a gradually increasing demand for filature silk may be anticipated. It has already been proved in the Mysore State that with the help of the State filature there superior types of cloth such as crepe satins etc., which were hitherto not

produced in South India, can be manufactured at competitive prices. Further, Mr.Silva reports that he has succeeded in persuading some of the cotton mills in Bombay and Ahmedabad to make use of natural silk in place of artificial silk. It may be pointed out that the cocoon producers in the surrounding area derive some advantages - from Mr.Silva's filature in that

(i) they receive cash payments then and there,

(ii) they are offered a better regulated price and are assured of correct weighment, and

(iii) there is a ready market for their cocoons as necessary facilities for storage of cocoons are available in Mr.Silva's filature.

4. From the financial statements submitted by Mr.Silva, copies of which are attached, it will be seen that he puts the net cost of manufacture per lb. at Rs.1-8-3 to which has to be added Rs.6-0-0 for the cost of cocoons making a total cost of Rs.7-8-3. If the selling price of the product is taken at Rs.8-4-0 a profit of Rs.0-11-9 per lb. or Rs.10,740/- per annum will be realised equivalent as per Mr.Silva's figures to a net profit of 15.4 percent after allowing for interest and depreciation. The financial statements have been examined by the Sericultural Expert and accepted by him.

5. If the loan applied for is granted, Mr.Silva proposes to utilise the proceeds solely as working capital. If the factory is operated at its full capacity, the recurring expenditure (at the present low price of cocoons) will be according to Mr.Silva Rs.11,500 per month and the minimum working capital required is normally Rs.35,000, the absence of a bank of other financing agency at Kollegal rendering

necessary the provision of ample working capital. A good portion of the Kollegal cocoons is now taken to Mysore for disposal and with the grant of the loan Mr.Silva will be able to divert this portion for the use of his Mudikundam filature. If the loan is granted he will be provided with sufficient capital to enable him to buy and store cocoons at proper seasons and at low prices and thus reduce his working costs.

6. As regards security, the Sericultural Expert estimated the value of the assets existing and contemplated at Rs.61,000/- including that of the 38 basins proposed to be shifted from Bangalore to Mudikungam and taking into account certain contemplated improvements not now proposed to be carried out. According to a subsequent valuation by the Industrial Engineer, the assets of the business then existing were reported to be worth Rs.55,564-14-0, including Rs.12,000/-, being the cost of the 38 basins at Bangalore. Mr.Silva has recently stated - copy of his letter attached - that he does not propose to shift the 38 basins to Mudikundam. The assets would therefore be worth about Rs.43,500/- only, without taking into account the depreciation that would have to be allowed for the intervening period. It will therefore be seen that the applicant is eligible for about Rs.20,000 only.

7. The views of the Board are desired on the merits of the application and as to whether they are prepared to recommend the grant of the aid applied for and if so whether they would advise the grant a loan or the guarantee of an overdraft with a Bank

Wages.	Rs	Rs
40 reelers at 7/8	300	
20 preparers at 7/8	150	
20 knotters at 5	100	
16 waste cleaners at 6	96	
12 examiners at 9	108	
2 skein twisters at 9	18	
10 leave reserve at 6	60	
3 men coolies	25	
2 women coolies at 8	16	
2 watchmen	15	
	---	888
Other charges.		
Power fuel	200	
Repairs and maintenance	50	
Contingencies	50	300
		1548
Interest on capital		
55,000 at 8 p.c. 25,000 at 6 p.c. 5,900		
Depreciation		
25,000 at 7½ p.c. 15,000 at 5 p.c.	2,625	
	8,525	
Per mensem		710
Total cost of manufacture- per mensem		2258

Production 40 basins at 1¼ lbs. 28/30 per day for 25 days lbs. 1250

Less - allowance for wastage, out skeins etc.	30
	1220
Waste - 75 per cent of silk	937

Cost of manufacture.

Total cost of manufacture (page2) 1220 lbs	2258
Less - income from sale of waste - 937 lbs. at 7 annas per lb.	410
Net cost of manufacture	1848

Net cost of manufacture, per lb	1 8 3	
Plus cost of cocoons	6 0 0	Rs 7 8 3
Selling price		8 4 0
Profit per lb.		0 11 9
-do- per mensem	Rs	895
-do- per annum.		10740

Equivelent to a net profit of 13.4 per cent after allowing for interest on capital and depreciation.

Sd. F. L. Silva.

-IV-

Extract from the minutes of the Proceedings at the twenty second meeting of the Board of Industries constituted under the Madras State Aid to Industries Act (Act V of 1923) held at the office of the Director of Industries, Chepauk, on Monday the 27th March 1933 at 11.30 A.M.

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Present: Chairman: Mr. V.Ramakrishna M.A., I.C.S.,

Members.

1. Mr. H.M.Hood, I.C.S., Secretary to Government, Finance Department.
2. Mr. Yakub Hasan Sahib Bahadur M.L.C.,
3. Mr. D.Q.Davidson
4. M.R.Ry A.M.M.Murugappa Chettiyar Avl.,
5. Dr. R.Nagan Gowda Ph.D.
6. M.R.Ry A.Ranganatha Mudaliyar Avargal.

Secretary

Mr. L.B.Green M.B.E.,

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x x x

(1) Application from Mr. F.L.Silva, Proprietor, Bangalore Silk Filature, Mudikondam Branch, Mudikondam P.O Coimbatore for a loan of Rs 25,000/- under section 6(a) of the State Aid to Industries Act.

Read note by the Director of Industries dated 13th March 1933 and connected papers.

Resolved unanimously by a majority (Mr. H.M.Hood abstaining from voting) that the Board recommends the guarantee with a bank for a period of 10 years of an over draft up to Rs 20,000 under section 6 clause (b) of the Act, the overdraft to be reduced progressively at the rate of Rs 2,000/- per annum. The Board is satisfied that the security offered is adequate to cover the guarantee of an overdraft of the amount and under the conditions stated.

xx xx xx

24 V

Copy of letter dated 11th February 1933 from Mr. R'Silva The Bangalore Silk Filature and Throwing Mill,

--

I have just received your letter of the 9th and must thank you for kindly giving your active attention to my application.

As you ask for a reply by return of post and the Kollegal figures are not at hand and it would take sometime to get them, I am enclosing a statement showing the actual financial results of the Bangalore factory for the 4½ months ending January last (the period since it was reopened). These have been prepared for the Tariff Board and will probably serve your purpose.

Perhaps I should add a few words in explanation.

The average price paid for cocoons is 0.6 1 while the average for Kollegal since July 1932 has been 0-5-4. But the actual rendita here has been 15.5 against 17 to 18 at Kollegal. So this item is more or less equalised.

As regards other charges, labour and fuel are cheaper at Kollegal.

The figures of expenditure do not include interest on capital and depreciation. This may be taken at 0.60 rupee per lb. of silk.

The actuals would then be as follows:-

Cost of cocoons	Rs 5.84	
-do- manufacture	1.49	
Interest and depreciation	0.60	
Total	7.93	Rs 7-14-10

The whole of the output has been sold at prices varying from Rs 8-4-0 to 9-4-0per lb. according to denier, resulting in an average of Rs 8-7-9. I sell Kollegal silk at the same price as Bangalore silk.

The amount estimated to be realised from the sale of waste at 7 annas per lb. is equivalent to 0-4-6 per lb. of reeled silk.

The results would then be

Sale price Rs 8-12-5

Cost price 7 14 10

Profit 0 13 7

These results have been derived from an output of 650 lbs. per month. If the production is larger, they are likely to be more favourable, and with better times, still more so.

--

Working results for the 4½ months ending 31st Jan.1933.

--

Output-Reeled silk 2,841 lbs. waste - 1916 lbs.

Rendita 15.5 lbs. of cocoons per lb. of silk

Percentage of waste to silk - 67 per cent.

Cost price per lb. as shown below - Rs 7-14-10

Selling price per lb.

Realised from reeled silk	8-7-9		
Expected from waste	0-4-8	8 12 3	
Prfit per lb.		0 13 7	

Actual expenditure.

A.Cocoons			16,585
B.Other charges			
Labour	2094		
Power, light and fuel	898		
Water	159		
Supervision and management	793		
Repairs and maintenance	46		
Other expenses	255		
	----		4,235

			20820

Cost per lb. of silk	Cocoons	5.84
	Other charges	1.49
Add interest and depreciation		0.60

		7.93

26.

Dm. 24/11.

O. m MW 480 II/33.2) 26.5.33

Subject. Application for loan under the Madras State Aid to Industries Act — Mr. F.L. Silva - Mudukundam

1/30.9.

Mr. F.L. Silva, Engineer, Bangalore Silk Factory, Mudukundam Branch, Coimbatore District has applied for a loan under the Madras State Aid to Industries Act. Copies of the papers mentioned in the margin are forwarded for the information of the Collector of Coimbatore. The Collector is requested to submit a very urgent report with regard to the present market value of the properties offered by the applicant as security for the loan.

(i) Mr. Silva's loan application dated 30.1.33 (Pp 8-10 Cf)
(ii) Tahsildar's report dated 18.1.31 (Pp 18-19 of Go. 1568 Dev. 24.10.31 (V))
(iii) Industrial Engineer's report dated August 31 (Pp 48-52 of Go. 1568 Dev. 24.10.31 (V)).

D.O. 26.5.33.

To The Collector of Coimbatore (with Records)

Reminder to be sent on 1.7.33

2/6/33

26/5/33

27

C.F. 30.

Revenue **DEPARTMENT.**

D1868-11
29.6.33

Received ..... 19 *Registered* 19

Subject.

Advances - Loans - State Aid to Industries Act - Kollegal Taluk - Mudigundam village - Mr. F.L.Silva - Rs. 25,000/- application - security properties - Market Value.

Enclosures.
No. .....
.....
Spare copies .....

L.Dis No. 6564/1933

Station Coimbatore, *Dated the* 26th June 1933. 19

From (Name) G.W.Wells,Esq.,I.C.S.,
(Designation) Collector of Coimbatore.

To The Secretary to the Government of Madras,
Development Department.
Madras.

Sir,

Ref:- Government Memo No. 1180 II/33-2 dated 26-5-33.

P 26.

The market value of the properties offered by the applicant as security for the loan is Rs. 23,300/- according to the report of the Tahsildar of Kollegal dated 20-6-33. The report of the Tahsildar of Kollegal, the records of enquiry and the enclosures received with the Government memorandum under reply are enclosed.

pp 38 + 39 infra

for Collector.
27.6.33

A.P.L/27-6.A

Encls: BY Regd.Post.
sent separately by Regd. Post.

27/6/33

28

Application for loan under the State Aid to Industries Act.

1. Name of applicant and address. — F.L.Silva, Proprietor, Bangalore Silk Filature, Mudikundam Branch, Mudikundam P.O. (Coimbatore)

2. Nature of the Industrial Concern for which aid is sought. — Silk Filature, ie. a Factory for the reeling of silk yarn by means of uptodate power machinery.

3. The administrative, technical and executive staff existing or to be appointed, with qualifications. — (a) One of my sons looks after the general management of the factory and I myself reside there frequently.

(b) The technical supervision is exercised by a qualified staff.

(c) The executive staff consists of fully trained men holding certificates of competency from the Government Sericultural School, Mysore.

(d) The machinery is looked after by trained mechanics.

8-JUN 1933
15 JUN 1933

4. The facilities available for the development of the industry. — The Factory is situated in the heart of an area in which sericulture is largely prevalent, and raw material is available in ample quantity within a radius of 10 or 12 miles.

There is no difficulty with regard to transport and produce can be conveniently sent to the Bangalore market.

SECRETARY TO
29 JUN 1933
DEVELOPMENT

5. The nature of the processes to be employed. — Conditioning of cocoons, reeling of silk yarn and the cleaning of silk waste.

6. Details of plant and machinery installed or proposed to be installed at the works. — 10 reeling 'basins' of 6 heads each together with subsidiary plant; 15 H.P. steam engine; 7 H.P. steam engine; pumping plant, apparatus for conditioning of cocoons, baling press etc.

7. The total estimated cost of the undertaking and the probable time that will be occupied in its execution. — The total estimated cost is Rs 50,000 of which Rs45,000 has already been incurred. The factory is now in full working order.

8. Approximate number of operatives employed or to be employed. — About 220 when working to full capacity.

9. Estimated net expenditure per annum in worunning the works. — Rs 140,000

10. Estimated net profits accruing. — Rs 12,000 to 15,000 per annum.

11. Reasons why the business cannot be financed without State assistance. — I am already running a similar factory in Bangalore, with a Throwing Mill attached, on which I have invested about Rs80,000, and my resources are insufficient to finance both factories, more especially because neither the supply of cocoons nor the demand for yarn is uniform throughout the year; there are seasons when large stocks have be laid by, which severely strains our resources, the difficulty being aggravated in the absence of a Bank to finance purchases. For a recurring expenditure of Rs11,500 per mensem, the minimum working capital required is Rs35,000 to Rs45,000.

12. Nature and extent of aid applied for.

The grant of a loan under clause (...) of Section 6 of the Act.

The amount applied for is Rs 25,000/- (Rupees twentyfive thousand). The capital expenditure already incurred is Rs45000 but the land and buildings attached to the factory are worth at least Rs 10,000 more than the book value. Moreover the stock of raw and finished material in hand would seldom amount to less than Rs 20,000/-

13. Security offered

District.	Village.	Survey No.	Area(acres)	assessment.
Erode	Mudikundam	91A	0.79	1 5
-do-	-do-	92	4.52	6 3
-do-	-do-	93	0.25	0 6
-do-	Uttamballi	73B	6.16	8 8
-do-	-do-	73A	1.98	2 12
			13.270	19 2

Is machinery also offered? Please see I.E. § 2
Not clear. Ref. to Col. 12 is better. Give with map an extract of 12 & 13

Registered in the name of F.L.Silva.

14. Nature and extent of the applicant's right in the concern and his financial resources.

I have no financial resources other than those invested in the business - please see answer to No. 11 above.

15. Nature and extent of the applicant's right to the property offered as security.

The property is freehold and I am sole owner.

16. Nature and extent of encumbrances ~~on~~ the immoveable property offered as security.

No encumbrance of any kind on the property or on the assets referred to in (12) above.

17. Whether any arrears are due on the immoveable property offered as security.

No arrears.

18. Period within which and the number of instalments in which the applicant proposes to repay the loan.

10 years at the rate of Rs 2,500 per annum.

19. Approximate additional net income expected to be earned as a result of the proposed expenditure.

Rs12.000 to Rs15,000 per annum.

I, F.L.Silva, declare that the statements made above are true to the best of my information and belief.

Mudikundam P.O.(Coimbatore).
30th January 1933.

Sd.F.L.Silva
Proprietor, Bangalore Silk Filature, Mudikundam Branch.

I am now seeking for only Rs 25,000 so as to leave no doubt that the security offered is adequate on the most conservative basis.

As to the manner in which the loan is to be disbursed, I am willing to accept the amount either in the form of a cash loan from Government or in the shape of a Bank overdraft guaranteed by Government.

I earnestly trust that you will be pleased to give your most favourable consideration to this application. On my part I shall feel deeply grateful for your assistance and make every endeavour to deserve the help of Government.

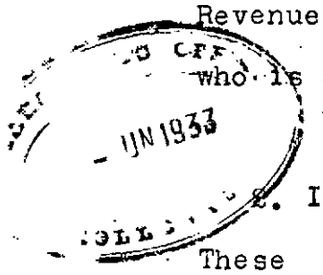
I am Dear Sir,
Your most obedient servant,
Sd. F.L.Silva, Proprietor, Bangalore Silk Filature, Mudikundam.

18-19
48-52

30

Tahsildar's report.

Submitted with records of enquiry and with the report of the Revenue Inspector and with the statement of Mr. Muhammad Kulandar Sahib who is acquainted with the histxory of the factory.



This is a report of 1931 - See H.18-19 1/V

2. I inspected the lands and the factory on 16th January 1931. These changed many hands in the last few years. They were purchased i in 1927for Rs.5750 and sold in 1929 for Rs.9000. After purchase petitioner improved the buildings at a cost of Rs.2000 and planted machinery at cost of Rs.13000 as is said by the people though petitioner himself says he spent Rs.6000 and 22000 respectively for them. These are to be valued by experts.

3. The lands in Mudikundam where the factory is, consists of S.Nos. 91 a, 92 and 93 measuring 5.66 acres assessed at Rs.7-14-0. They are dry lands. They are valued by V.Os at Rs100 per acre. The fields are said to be burial grounds formerly and have an evil repute. No one in Kollegal or in its neighbourhood is prepared to have them. The value is therefore out of question. The lands in Huthamballi consists of S. Nos.73 A.B. measuring 8.14 acres and assessed at Rs.11-4-0. These lands are also said to have an evil repute. A better land than these has been sold in 1929 at Rs.100 per acre. These lands can be valued only atRs50 per acre.

13.90 acres
@ 590

4. Petitioner worked the factory for about a year after he purchased it on 15th June 1929. He stopped work during the last 5 months on account of trade depression. He has just revived his work. Future alone can decide the success of his enterprise. The work was started about 12 years ago by the Bengal Silk Co., who transferred it to Mr. Louis Payne who worked it with 75 basins and with a boiler. He sustained loss and sold it to Mr.Kalandar Sahib for Rs.7000/- who in turn sold it to an Italian Co., for Rs.14,000.He is the only person who gained something - not from working the factory but by selling it at an advantage. This latter company had a loss and sold it to one Muthurama Chettiar for Rs.5750. This latter who is a resident of Bangalore did not work it but sold it to the petitioner for Rs 9000 at a time when the demand for filature silk was very large and when the petitioner has had another filature factory in Bangalore.

5. There is no doubt that silk industry is getting on well and i

encouraged from all sides. The Mysore Government are making people to have house basins and are giving them help in various ways. A big factory is being opened in Mamballi very near Mudikundam for twisting silk yarn. There is another factory nearing completion in Kollegal town forthe same purpose. The handlooms are now producing finer and better yarn. Trade is however not on a pace with these increased activities. There is a considerable slump in the market and the difficulty is increased by the large import of China silk. People are beginning to think twice before they go in for silk cloths and to consider them as extravagant and unnecessary. Formerly many valuable cloths were made in Kollegal. Their manufacture now is very limited. Filature silk is not also useful in Kollegal where people weave only with hand made yarn. Filature silk is sent only to Bangalore from here.

6. The financial position of the petitioner is not known here. It is learnt that he has borrowed money on the security of the Bangalore factory. Its nature and extent is not known. Petitioner's valuation of his assets is not supported by anyone. His valuation of his property as Rs. 5[illegible] against Col.12 of his application is based not on its present value but on his proposed future improvements etc., to the factory and his version that there would always be a stock of the value of Rs 25000 cannot be accepted. From the enquiries made, I do not think that anyone will come up to buy this concern in a forced sale.

as the Sericultural Expert stat[illegible] e applicant can only deal with one percent of the cocoons produc[illegible] 10 miles of his filature, it would, I consider, be unreasonable to assert, that no one would come forward to purchase a factory which is admitted by all to be exceptionally well situated for the purpose of the work. The Tahsildar of Kollegal himself states that "the silk industry is getting on well and is encouraged on all sides". Again the fact that there are heavy imports of China silk into India (about 2½ million pounds annually - I understand) should, I submit, be an argument in favour of, rather than against a power filature as it would stimulate and not retard the expansion of filatures.

Difference between the Tahsildar's valuation and that of the applicant:-

The land offered as security consists of 13.70 acres of which 5½ acres are dry fields and the rest garden land with one large and one small well. This is estimated by the Tahsildar of Kollegal at Rs 50/ - per acre. I do not consider myself competent to valuate this land but would draw attention to the fact that in his statement attached to the Tahsildar 's report the Revenue Inspector of Kollegal gives details of five sales of land nearby in the Mudikundam village, showing an average price per acre of Rs 489 and in the neighbouring Uttamballi village at an average price of - 163 per acre. It will be noticed that for the purposes of this application, this Department has accepted only the lower value of Rs.50 per acre given by the Tahsildar. The difference exists only in the valuation of the buildings. The Tahsildar allows Rs .11,000 as the total value of the buildings (less Rs.665 value of land) or a net valuation of Rs.11,000 - 665 = Rs 10,335 for buildings alone. The Sericultural Expert has estimated the buildings at Rs13,000. The buildings consists of:-

(1) Residential bungalow roughly 55' x 40'

(2)(a) Main factory, buildings with extensions noted by the Tahsildar in his report - 170 ' x 18'

(b) Boiler house 40' x 20'.

( ) Silk examination room. . 40' x 20'.

( ) Three staff quarters .. one 25' x 15'

One 20' x 15'

One 25' x 25'

(4) Cocoon store consisting of 4 rooms.. 110' x 25'.

The total area of the above buildings amounts roughly to 10,910 square feet. The buildings are pucca, of brick in clay roofed with Mangalore tiles over mostly teak wood-work. These buildings should have cost originally Rs 2.

INDUSTRIAL E[illegible]PORT. 9 GIST- No 4-5-35

I visited the factories of The Bangalore Silk Filature and Throwing Mill at Mudikundam and Bangalore on the 19th, 20th, 22nd and 24 inst. and inspected the plant and buildings. I also saw the correspondence relating to the purchase of the machinery and the relevant books and vouchers were produced for my inspection.

2. Valution of the machinery offered as security: -- The machinery at Kollegal consists of 40 reeling basins made by Messrs.Passi, Consoli and Co., of Milan, Italy. They were imported in July 1929 at a cost of 14,791-0-0 and were installed in November 1929. There are very few moving parts in this machinery and the normal life of a reeling basin may be safely estimated at not less than 25 years with only minor replacement of fittings.

The present value of the machinery at Kollegal is estimated at Rs 12,899-14-0 as per statement I attached.

The machinery at Bangalore consists of 38 reeling basins made by Battaglia and Co., of Milan, Italy, and has been in work for nearly 8½ years but it is in very good condition. The original cost of these basins together with the subsidiary plant such as boiler, electric motor, fittings, piping etc., as per applicant's books is Rs 25,610.

At the time, the value of machinery was higher than it is today. Allowing for the value of boiler, electric motor and certain supplementary tools and fittings which will not be required at Mudikundam, a round figure of Rs 3,610 may be deducted leaving a balance of Rs 22,000. Allowing for depreciation at 4% the present value of the machinery is not less than Rs 12,000 the figure estimated by the Sericultural Expert which may be accepted.

3. The possible result of a forced sale. It is stated in the Government Memorandum that the Tahsildar does not think that any one will come forward to purchase the concern in a forced sale. It cannot be denied that in the event of a forced sale, any business concern, and particularly one which is dependent on machinery to a large extent, must stand to lose. But apart from the last paragraph, of the Sericultural Expert's report and paragraph 6 of the Director's letter to Government No.S.A. 13/31 dated 11th April 1931 and the fact that the Board has unanimously recorded the view that it considers the venture to be a most promising one", there is little likelihood of the concern being pressed to the necessity of a forced sale. Even granting that such a remote contingency does arise

to 3 per square foot area. The Tahsildar states that they were built about 12 years ago and the Sericultural Expert about 14 to 15 years. Taking their age at 15 years and allowing depreciation at 5% per annum, the present value comes to about Rs.18,000.

There are two wells in the factory compound, one of which 40 ft.in diameter, is blasted out of solid rock. It is said by local people that the well cost Rs2500. I consider it a reasonable figure; the wel has a good supply of water.

Incidentally I would draw attention to the statement of o n e Muhammad Kalandar Sahib (forwarded by the Tahsildar with his report) in which he states that he, as personal assistant to the Bengali Silk Co., constructed the building and sank the two wells at a cost of Rs30,000.

In addition to the above and since the application was submitted to Government, the applicant has constructed another factory building 80' x 30' of brick in clay. The inside is plastered with chunam. The outside has yet to be plastered. The roof is of Mangalore tile over steel trussses and matti wood The building is nearly complete. I estimate its value at about Rs.5000 when complete.

5. To summarise, the total present value of the security offered is

Machinery at Mudikundam.	19,899	14	0
Machinery at Bangalore.	12,000	0	0
Land.	665	0	0
Old Buildings.	18,000	0	0
New Building.	5,000	0	0
Total	55,564	14	0

12000-0-0

43564-14-0

A

p.t.o.

STATEMENT L.

Present value of machinery at Mudikundam.

	Rs	a	p
40 reeling basins.	14,200	0	0
Shafting pulleys , piping (steam and water), girders, plummer blocks etc.,	1,226	14	0
Boiler.	800	0	0
Steam Engine.	400	0	0
Pumping plant.	373	0	0
Apparatus for steaming cocoons with trolley on rails and trays.	170	0	0
Baling press.	350	0	0
Bundling press.	80	0	0
Tools and fixtures.	800	0	0
Motor Van.	1500	0	0
Total Rs	19,899	14	0

36

Revenue Dept - 2635/33-P

12 JUN 1933
COIMBATORE

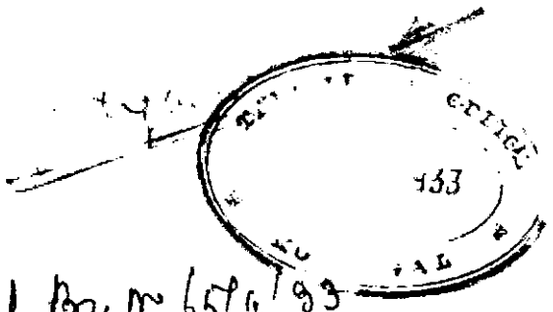
2 Col 13 of the ... shows the security offered is not free from doubt if land alone is to be hypothecated or the buildings and machinery also. I want instructions what party I am to make inquiries of.

3 I shall if required, ... the applicant to specify clearly in a fresh application the property he proposes as security.

...

...

To The Collector of Coimbatore



Ref. Bdg No. 6564/33

Returned

2. The Collector is requested to report very urgently the market values of the land, buildings and machinery

14.6.33

for Collector

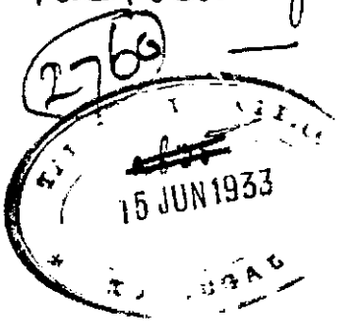
14 JUN 1933

C/ 13833

C/13/6/33

To The Director of Railways

2760



C.F. 32

2

Revenue DEPARTMENT.

In reply, please quote reference, date and short title.

Received _____ Registered _____

From (Name) M.R.Ry S. Krishabha Das Avl. M.A.

(Designation) Tahsildar

Post Box _____, (Station) Kollegal

Telegraphic Address _____

To The Collector of Coimbatore

23 JUN 1933

Enclosures Sue - 3 4 1a

Spare Copies _____

Ydio No. 2635/33 dated 20-6-1933.

* Advances - Loans - State aid to Industries Act - Application of M/s. T. L. Silva.

Ref:- Your R/Ref. 6564/33 B4 of 7-6-33 and 14-6-33

P. 42 infra. I submit herewith a statement obtained from the applicant. He states that he offers as security the following lands with the buildings and wells on them and also the machinery.

Village		Area	Assessment	
Mudigumoam	S.No. 91A	0-79	1-5-0	Dry
	92	4-52	6-3-0	"
	93	0-25	0-6-0	"
Uthamballi	73B	6-16	8-8-0	"
	73A	1-98	2-12-0	"
		13-70	19-2-0	

The factory buildings and including those used for residence are on the lands noted above of Mudigumoam village. The lands of Uthamballi village are also near but on the other side of the Honhalli river. I attach herewith a list of sales of lands in the vicinity and a topo sketch of the lands at the [illegible]

P. 43 & 44 infra.

Sites 06 and 07 [illegible]
55 and 48 Cents [illegible]
bridge in 1937 for Rs 150 [illegible]
55 and add technically. [illegible]
15% Compensation [illegible]
roughly to Rs 135 and Rs 50 [illegible]
Rs 100 per acre [illegible]
[illegible] offered as security [illegible]
and civil [illegible]

The Village Officer
estimate the value at [illegible]
Rs 50 per acre. The [illegible]
[illegible] does not mind at what rate [illegible]
the lands are estimated. [illegible]
that the lands may be valued [illegible]
per acre. [illegible]
lands [illegible]

Buildings. The Village Officer estimates
the value of the buildings [illegible]
at Rs 2500/= and the [illegible] site value Rs 600
which gives a value of Rs 3500/= per [illegible]
with the buildings and the [illegible]
machine which alone is valued by the
Industrial Engineer at Rs 19000 [illegible].
If the value of the machinery [illegible]
be taken at the total value of [illegible]
offered as security is Rs [illegible]
Rs 23,300 but does the properties [illegible] to
worth Rs 12000/= in comparison [illegible]
the estimate of the Industrial Engineer.
If necessary the buildings and [illegible]
of the lands may be got [illegible]
department [illegible]

Rs. 16.57

Kankanamalage
2633

10-6-33

முடிகொண்டம் பிராமதிகாரிகள்
வெற்றிலைத்திருவிழா

முடிகொண்டம் கோயில் க.மு.சி.
92, 93ஆம் காலகட்ட Z.X. இவ்வூ
தினரால் பயன்தரக்கூடிய நிலம்
ஒன்று. வயல் நிலங்களை குத்தகை
விட்டது. குத்தகைச் சாகுபடிதாரர்
வரி 150/= எனவும். குத்தகைத்தொகை
கோயிலுக்கு நெல்லாக வரவேண்டிய
தொகை 70 கலம் எனவும் இதை
"திருவமுது" எனவும் குறிப்பிடுகின்றன.
[illegible]. இந்த காலகட்டத்தில் பல்வேறு
சமயம் 6, 7 குடிகளாக வேலை செய்து
கொண்டிருந்தனர். இவர்களுக்கு
~~தினம்~~ வருடம் ஒன்றுக்கு சுமார் 2500 படி
[illegible] இந்த நெல்லை அளப்பதற்கு
தொகை= ஆள் எனவும் குறிப்பிடுகின்றன.
வரவு நிலையில் இருந்து
கோயிலுக்கு நெல் வருகிறது. இந்த நெல்லை
தினமும் குத்தி அரிசியாக்கினர். இந்த அரிசியை
குத்தியும் தொகுத்து சுமார் 1000= எனவும்.
குத்தியும் தொகுத்து சுமார் 1000= [illegible] தொகை=
குத்தி எனவும் குறிப்பிடுகின்றன. இந்த
வரவு எனவும் குறிப்பிடுகின்றன.
இவை [illegible]

Thillaivanam
A. Y. 2000

15-6-33

Statement of Mr. F L Silva Mudigundam

I have applied for a loan of Rs 25000 from Government under clause (a) of sec 6 of state aid to the Industries Act. I offer as security not only the lands mentioned below but also the machinery. The machinery is worth not less than Rs 19000 and odd. The buildings on the lands of Mudigundam village are also offered as security. I am aware that the lands were valued at Rs 50 per acre by the Jahorbur in 1931. I do not mind for how much the lands alone are valued as they form a small fraction of the total value of the property. The machinery and the buildings as valued by the Industrial Engineer are all intact and are now offered as security.

F L Silva
15.6.33

Village.	Lands
Mudigundam	91 A, 92 & 93.
Ulthumpalli	73 A and 73 B.

Before me
15.VI.33
Tellippalai

15633

Vakalieu Opozi.

L.no	Area	Vendor.	Vendee	Document No & Date	amount	Remarks.
			10. Kuttiyattoor.			
91-A	0 79	P. Kuttiyedama	Francis Louis	1034/6-5-29	9000/-	with buildings, well &c.
92	4 52	Chettiyanattu	to Silvan.			
93	0 25					
734	1 98					
735-B	6 16					
9 Vettamchally	Vgl.					
4 of 17	alienee.	Kaaki Sayinuchatty	P. Kuttiyedama Chetti.	827/26-6-25	341.01	Do.
[illegible]	Share 1.	Kuchunni Kalandar	Fonseca Co. Ltd	3462/21-11-31	14,000	Do
[illegible]	2 11					
[illegible]	0 51.	Kunjappa.	Kunhiravarasappa	2581/6 8/24	900/-	
[illegible]	1 21	A. Kunjanni	- Do -	6035/22-11-21	200/-	
[illegible]	2 82	Kunjayanattu	Kanthanappa	1707/25-1-25	12.50/-	
[illegible]	0 04	Kepun.	- Do -	1976/13-7-28	3/-	
103	0 06	Kanda, Karuppia.	Chemman.	8-7/31-3-22	25/-	
82A	0 55	Acquired by the	Kuttiyedam	9-1-32	154-60-9	✓
81	0 48			9-1-32	55-3-2	
239	2 6½	Kadappa.	Devassy.	1280/24-4-26	250/-	
246	2 02					
204A	2 19	Pannan.	Kappa.	3610/22 9/26	1000/-	with house
205	1 75					
254A	2 19	Kappa.	G. Chemmanthitta	3640/25-9-26	600/-	Do.
255	1 75					
253A	2 58	Pannan.	Kesavankappa.	3009/2282	3000/-	with house
208-B	1 28	G. Kuttappa.	Kanjankappa.	1458/15 6/24	600/-	
207.	2 37.	Kadichelly	Kunjachelly	2598/5-5-27.	300/-	
192-B	1½	Kanjan	Kesavankappa.	856/32	50/-	
"	2¼	Kadan.	Bavanan.	1025/8-4-30	100/-	
"	4½	Pathappa	Bavanan.	1733/98-7/30	470/-	
"	10	Do	Kalanthayan.	1734/9 2/30	400/-	
"	2½	Do.	Kadavan.	1736/9 2/30	400/-	
			9. Vettamchally			
79	- 71½	Chemmankappa.	Kunjappa.	904/3-4-27	460/-	
210	15½					
78A	- 79 3	G. Vadakayan.	Kalathayathil	22-91/17	100/-	
82	- 95					
241	- 68	Kanthayan.	Devassy.	2523/6-9-28	100/-	
75-A	1 12	Kunja	Kadappa.	2578/10 2/24	200/-	
92	- 95	Kanjappa.	Bavanathil	9466/10-12-31	100/-	
209-B	2 17	Pathankappa.	Bappa.	148/23-4-25	1300/-	
212	3 54	Kunhan Devan	Kuttappa	881/6-4-25	2000/-	
[illegible]	1 40½	Bavanathil.	Kanjankappa.	226/29/1031.	2430/-	with house
	1 --	Kunjayan.	Kuttiyedama	1499/8 2/32	200/-	✓

7	2	10	[illegible]	Linkage	177/6 7/24	300	
5	-	5	[illegible]	Marsi	246/24.2.31	100	
5	-	39	[illegible]	[illegible]	224/25 5/24	200	
2	2	77	[illegible]	[illegible]	495/14.6.32	200	———
	1	74	[illegible]	[illegible]	126/30.1.30	100	———
		74	[illegible]	[illegible]	214/26.1.24	100	

[illegible]
(58)

45

Dlo dept

6/37

OM 1180 II/33-3D 3.7.34

Ref: D.I's no 274 A/33
of 11.4.33
State aid. application
by mr F.L. Silva.

Mr I-7ct

The D.I is
requested to ascertain and
report whether a loan of Rs 7500/-
Vide his observation is likely to be of any help
or 15 mf. to ~~the promoter of the business~~
~~and if~~ mr Silva and if whether he is prepared
and more adequate) to give better security in
Case he desires to have a
larger ~~aid~~ amount.

RR 28/6

Ltr 2/6

Ad m.4/7/34 XM 27.7.34 bm 27/6

To the D.I.

GR 4/9

Des. 3102-II
5-9-34

C.F. 30.

ASSISTANT SECRETARY TO GOVERNMENT 5 SEP 1934 DEVELOPMENT DEPARTMENT

46 DEPARTMENT.

Received ..... 19 . *Registered* ..... 19 .

Subject.

State Aid - application by Mr.F.L.Silva.

ENCLOSURES.
No.
Spare copies

No.S.A.3/33.

Station Madras., *Dated the* 3rd September 1934.

From (Name) V.Ramakrishna Esq., M.A., I.C.S., M.L.A.,
(Designation) Director of Industries,

To The Secretary to the Government of Madras,
Development Department.

Sir,

1456 ✓

Ref: Government Memorandum No.1180-II/33-3 dated 3rd July 1934.

I enclose a copy of a letter dated 25th August 1934 from Mr.F.L.Silva in which he requests that he may be allowed to withdraw his application for the loan, in case Government cannot see their way to sanction the full amount recommended on the security offered.

for Director of Industries.

P.T.O.

Copy of letter dated 25th August 1934 from the Bangalore Silk Filature and Throwing Mill.

With reference to your letter No.S.A.3/33 dated the 22nd August, I beg to request that you will be so good as to allow me to withdraw the application for the loan, if Government cannot see their way to sanction the full amount recommended on the security offered.

~~Govt~~ Finance may revise their view of the concern.

2. Another point of objection was that the industry is not a new one. The D.I. has already enumerated it - para 5, pages 46-47 of the G.O. If the industry does not come under Section 5(1)(b), it will fall under Section 5(1)(c) — an industry undeveloped in this area.

3. It is claimed that the successful working of the concern will, among other things,

(1) steady prices of cocoons and stimulate production as

(2) induce the country reelers to improve the quality of silk produced by them by employing improved basins, and this will facilitate the wide introduction of such basins contemplated by the Director

If power-filature is a success, the results claimed may not be achieved. On the other hand, there is the possibility of the concern dictating its price after slowly eliminating its rivals small purchasers from the field. Similarly country reelers ~~will~~ may also go to the wall.

4. The Tariff Board is now considering the question of granting protection to the silk industry and it may perhaps be better to ~~for~~ defer orders on this application till their recommendations are published. In the meantime, the report suggested on the previous page may

V.

para 2, p. 3 c.f.

B on p. 13 c.f.

No (1) is very likely.
No (2) is not improbable
Yes

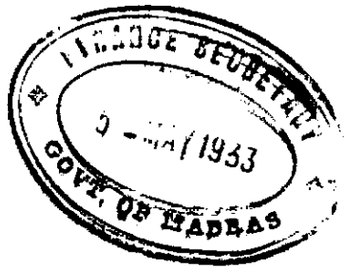
Not likely. It will not get such a monopoly. Too much competition at home & abroad
Yes

be called for

ton
3.5.33

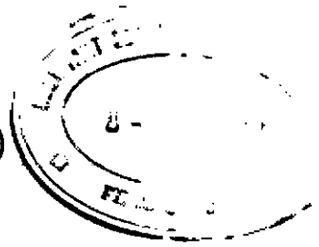
We may ask the Collector to have the property valued — urgent. Subject to a satisfactory report on that point, I think the assistance recommended — viz. the guarantee of an overdraft up to Rs 20,000 — should be granted. We can thereby secure money on rupees coconut breeding and we shd encourage a demand for it

sec
4/5



Fin

Demi no 1180 M /33-1
4.5.33



Finance (Exp)

In 1931 the Director of Industries recommended a loan of Rs. 30,000 to Mr. F.L Silva of Bangalore for the establishment of a factory for the reeling of silk yarn by means of up-to-date machinery. The Govt. refused the loan on the ground that the security offered was not sufficient and that there were not sufficient funds available to give the loan.

2. The present proposal

para 4 of and para 4 above.

is to guarantee an overdraft of Rs. 20,000 to Mr. F. L. Silva at the Imperial Bank of India, Bangalore. It is reported that the overdraft will be reduced progressively at the rate of Rs. 2000 per annum.

para 4 of

The value of the property offered as security was estimated at Rs. 43,500 in 1931. It is not known what the present value of the property will be. Dept. proposes to call for a report from the Collector on this point.

para 4 of proposal

para 2-3 above

~~Submitted that subject to the condition that the security offered is sufficient this dept. may agree to the guarantee of an overdraft for Rs. 20,000 to be reduced at the rate of Rs. 2000 per annum.~~

12.5.33.

It does not seem necessary for the present to express any opinion on the application. A report from the Collector about the present value of the property may be called for.

16.5.33

S

DM

ASSISTANT SECRETARY TO GOVERNMENT 25 MAY 1933 DEVELOPMENT DEPARTMENT

Dis no. 13122 Dept-1

Qu 1678 dt 23.5.33
16.5.33

Dr. Dyal

A.S.

A Draft O.M. in the Coll: of Coimbatore is submitted for approval.

A.D. 26.5.33.

Issue RK 26/5/33

[Issued as O.M. No. 1180-1133-2 dt. 26-5-33]

Receipt. Letter from the Collector of Coimbatore No. Lands 6564/1933 dt. 26.6.33

To Asst. Secy.

Please see the Collector's report on P. 27 cf. The property offered as security is estimated by Rev. Officers at Rs. 23,300 while it was valued in 1931 at Rs 43,564/- by the ~~Asst.~~ Industrial Engineer. The main difference ~~in valuation~~ is in the value of the Buildings. The Buildings which were estimated at Rs 23,000/- in 1931 are now said to be worth only Rs 2500/- The difference is very large. Probably the valuation of the Rev. Officers is based on the price the Buildings would fetch on a forced sale while that of the ~~Assistant~~ Industrial is based

No. The land & Buildings have been valued by the Rev. Dept at Rs 6500 + Rs 2500 = Rs 41 85. Machinery has been valued by the Asst Engr @ Rs 19,500 and the total has come to Rs 23,300 as in his report (P 39 cf.)

P 27

P 2

By the Rev. Dept. seems correct.

on the actual amount spent on the buildings minus the depreciation amount for our purposes, we have only to take into account the amount the Buildings would fetch if offered for sale. The sum of Rs 23,300 is too small an amount for the loan of Rs 20,000 applied for. Although Section 9 of the State Aid to Industries Act allows the grant of a loan exceeding 50% of the assets of the concern when the amount of the loan does not exceed Rs 40,000, it does not appear safe to guarantee an overdraft for Rs 20,000 on the security now offered. Perhaps an overdraft of Rs 15,000 may be guaranteed. The applicant himself has stated that if the security offered is considered inadequate he will accept see

The machinery at Bayshia is valued at Rs 12,000 (P. 32 cf.) and this is to be left out of account (P. 22 cf.) RL 7.7.33

Comp. 32 cf

reduced sum as the Govt decide to be reasonable.

~~After orders are passed the case may be sent to Fin for acceptance with refce to their remarks on P.S. supra.~~

The remarks of Finance may be invited

ker 5.7.33 ker 5-7-33

an overdraft of Rs 100 is all that might safely be recommended. This should be reduced at Rs 50 a year.

ER 7.7.33 S.

I agree with the limit suggested. But what form exactly will this guarantee take? The Comptr. Paper Mills gave a lot of trouble over a similar guarantee: [illegible]

10 Hon. Secy.

With refce to Secy's query above it is submitted as follows The Govt will stand surety for Mr. Silva for the due repayment of the amount that will be paid to him by the Bank. In case Mr. Silva fails to pay back the instalments in time the Govt will have to pay the amount and then recover it from Mr. Silva by proceeding against the

property hypothecated by ~~him~~ him ~~Sivan~~ in favour of the Govt for the conditions under which the overdraft will be guaranteed please see G.O. No. 1203 dd. 18.8.26 in which a similar case was dealt with.

The difficulty about the Carnatic paper Mills referred to was due to its not beginning ~~to function~~ for want of adequate Equipment and Capital. Such a contingency is not anticipated in the present case

ker
14-7-33

~~Attention is invited to the G.O. mentioned below~~
~~G.O. No. 1424, d. 15-8-1929.~~

lm
14.7.33

RR
15-7-33

Finance No.

Fin No 1180 II/33-3
17-7-33.

ASSISTANT SECRETARY TO GOVERNMENT
18 JUL 1933
FINANCE DEPT.

FINANCE SECRETARY
17 JUL 1933
GOVT. OF MADRAS

19695 Exp
19-7-33.

Finance(Exp).

The Finance Deptt. asked for a revaluation of the land, buildings and machinery, but the only revaluation was of the land and buildings. The value of the machinery is the one adopted in 1931.

The following statement shows in one view the valuation at different times and by different persons:

Valuation of 1931.		Valuation of 1933.	
Mr. Silva.	Govt. officers.	Mr. Silva	Govt. officers.
L A N D and Buildings.			
Book value Rs 15,000 - Market value Rs 25,000. Item 12, page 5 of G.O.1568 Dev. d/ 28-10-31. (V)	Tahsildar: Mr.Silva purchased lands and buildings for Rs 9,000 and improved them with an additional Rs 2,000 though he says he spent Rs 6,000 more - p.18 of (V). The land at Mudikondam and Huthamballi will be worth about Rs 1,000 (p.18 of 'V'). According to the Industrial Engineer's later report, the land, old buildings and new building would be worth about Rs 23,665-Page 51 of (V).	Rs 50,000 out of which Rs 45,000 have already been incurred (item 7 page 8 c.f.). This takes into account the value of land and buildings at Rs25,000 as against Rs 15,000 book value - item 12 p.9 c.f.	Land and wells valued at Rs1,000 Buildings at Rs2,500 -p.39 c.f. No revaluation of machinery made, but the Sericultural Expert's valuation of Rs19,900 in 1931 accepted p.39 c.f.
MACHINERY.			
Rs 22,000 plus Rs 5,000 proposed additions. Item 7 page 4 of (V).	Tahsildar: Machinery reported to have been purchased for Rs 13,000 - p.18 of (V). But Sericultural Expert would accept Mr.Silva's estimate of Rs 22,000 - p.12 of (V) Subsequently the Sericultural Expert put it at Rs 19,900 - p.48 of (V). He also reported that improvements costing Rs 13,300 were contemplated and that Mr. Silva proposed to transfer 38 basins from Bangalore - p.12 of (V) Mr. Silva subsequently decided to transfer them. p.22 c.f.)		
TOTAL. Rs 52,000			

2. It will be observed that the valuation of the Tahsildar does not help much except to show that in the matter of the valuation of land and buildings the Revenue department's valuation is poles apart from that of Mr. Silva and the Industries Department officers.

Lands and buildings should be the substantial security as the machinery are liable to rapid depreciation, ~~on transfer to Mr. Silva's factory at Bangalore~~. It does not seem therefore safe to undertake any liability on account of Mr. Silva on the strength of his properties in Kollegal alone.

3. The question is whether there are other securities for the guarantee of an overdraft.

Personal sureties: Mr. Silva states against item 15 of his application on p.9 c.f. that he is the sole owner of the factory. But p.24 of G.O. 1568 Dev. dated 28-10-1931 contains a letter from his three sons in which they state that they own a share in the busine and that they proposed to style the firm as F.L.Silva and sons. It is not clear whether they still have a share and whether they possess properties of their own. If they are co-sharers the application in the name of Mr. Silva senior alone is defective and cannot be accepted. A revised application is necessary which should give full details of the rights possessed in the concern by each of the four co-sharers.

Other security: Mr. Silva has properties in Mangalore and in Bangalore City (Mysore State). The value of the property in Mangalore is not known and he is not prepared to hypothecate them — p.42 of G.O.1568 Dev. d/ 28-10-31.

The properties in Bangalore City are in the Mysore State. In January 1931 the Tahsildar of Kollegal reported that Mr. Silva had borrowed on the security of the Bangalore property - para 6, p.19 of (V). In June 1931, Mr. Silva was prepared to give this property as security free of encumbrance - para 2 page 42 of (V). Nothing is mentioned about this security in the present application. Even if he is prepared to give this as security there will be legal complications in the enforcement of this security in an Indian state. In view of this consideration

59

also the guarantee of Govt must be refused.

4. It should also be pointed out that Mr. Silva wants the overdraft at the Bangalore branch of the Imperial Bank (para 6, page 4 c.f.). Apparently he proposes to utilise the overdraft to help him in both his concerns at Bangalore and Kollegal and it does not appear possible to see that he utilises the overdraft solely for the Kollegal Branch.

In these circumstances Finance may advise that the request be turned down.

5. The objects in view in affording the assistance to Mr. Silva are that if his filature factory in Kollegal were worked regularly,

(1) it would have a salutary effect on the production of cocoons while the cocoon producers in Kollegal will benefit by having a ready market for their cocoons and the price of cocoons should be more stable - X on p.3 c.f.

(2) The Kollegal weavers will get filature silk at a low rate and would be able to produce superior cloth.

This takes for granted that the Factory will work regularly and that Mr. Silva will sell his material to Kollegal weavers in the first instance. It will be interesting to know whether the Factory had been working regularly, what profits it earned in the 12 months ending with March 1934, and whether Mr. Silva did sell the major part of his produce to the weavers in Kollegal if it is proposed to pursue the matter further.

C.A.S.
6-5-34.

As regards the security for the loan, Mr. Silva offers only the land and buildings in Mudikondan and Uttamballi and nothing else. His factory at Bangalore is probably already mortgaged and if so, there would be no use asking him to offer it as security.

Para 9 C.F.

para. 6 on p.3 C.F.

Page 39 CF.

The land and buildings offered as security are now valued by the Revenue authorities at Rs 3,500 only. The machinery (mainly 40 reeling basins, with boiler, steam engine, motor van etc.) were valued by the Industrial Engineer in 1931 at Rs 19,900. He put the depreciation at 4 per cent per annum for reeling basins; taking 5 per cent for all the items together, the present value after 3 years may be taken at

Page 48 of G.O. 1568 Dev. dt 28.10.1931. (V) p.48 ante

$19{,}900 \times \frac{(100-3\times5)}{100} =$ Rs 16,915. The total is Rs (16,915 + 3,500 =) 20,415. The maximum loan that may be granted is thus Rs 10,000.

S

The form of the loan required is either a cash loan or a guarantee of an overdraft on the Imperial Bank of India at Bangalore.

When a person works two or more factories, there is always a tendency to mix up the funds of all the concerns. But Mr. Silva should, if he is granted ~~the~~ an overdraft, be required to keep a separate banking account for the Mudikondan factory and the books should be made available at inspections.

It seems however preferable, from the point of view of the Govt., to give a ~~direct~~ cash loan to Mr. Silva instead of guaranteeing an overdraft.

In 1931, this department considered that it was not a fit case for a loan to be given under the State aid to Industries Act, ~~both~~ in view of the security not being sufficient, ~~and also in view~~ of the fact that the silk reeling industry was not a nascent industry. On the latter point, the Development Dept. noted on p.3 ante that the case would come under Sec.5(1)(b) as being an industry undeveloped in this area (presumably Kollegal) and that the Tariff Board was considering the question of granting protection to the silk industry.

Secy's notes on pl 68 & 70 of Reg (V)

Let us get concerned with the Tariff B's [illegible]

As regards the protection to silk industry, the Govt. of India have since imposed an additional duty of 14 annas a lb. for imported silk yarn including thrown silk waps and the silk reeling industry is consequently protected and the case for financial assistance from Govt. is weakened.

Item 158A on p.42 of Gazette of India & 2824-934 on Item 100 on p.33 of Customs tariff Schedule.

It is for orders whether Finance may agree to a loan to Mr. Silva and if so, it should not exceed Rs 10,000.

26.5.34

S

Considering the value Mr. Silva puts on his land I can place no reliance on the value he puts on the machinery The land itself being in Mundi kundam old burial ground with a bad reputation is of little value as a security

The machinery appears to be worth something between R3000 & R4,000 itself if it were sold up, it would probably fetch far less

I would not agree to guarantee more than R500/. but I think the whole transaction a precarious one & would not recommend it

JCB
26.5.

DW

ASSISTANT SECRETARY TO GOVERNMENT
31 MAY 1934
DEVELOPMENT DEPARTMENT

Dev no 19695/30 pt 1
30.5.34

64

10/1a.

C.F.16.

DRAFT FOR APPROVAL.

	Date.	Initials.
When received for fair copying ..		
When copied ..		
When examined ..		
When signed ..		
When despatched ..		

SUBJECT:— Industries

State aid to Industries Act - application by Mr F.L. Silva - Papers "Recorded"

READ AGAIN ....., dated ..... 19....

" " ..... " ..... 19....

READ *ALSO*:—

No. 1180 11/23 From the D I , No. 274 A/, dated 11-4 1933.

" 1180 11/23 " our 1180 11/23 to the Collector of Customs 26.5.33

" 1868 11/24 " from the Collector of Customs 65624/32 26.6.33

" " our 1180 11/23. 30 to the D I - 3.7.34

Order ~~Resolution~~ Ms. No. 3104 11/24 dated from the D I - 19 3-9-34

1301

13-9-34

Recorded as has been the application is withdrawn.

~~applicant has not furnished~~

T.S. The D I.

Mr. [illegible]